

CHIKAMING TOWNSHIP
Berrien County, Michigan

FINANCIAL STATEMENTS
With Supplemental Information
for the year ended March 31, 2005

HUTTER & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHIKAMING TOWNSHIP	County BERRIEN
Audit Date 3/31/05	Opinion Date 6/13/05	Date Accountant Report Submitted to State: 9/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

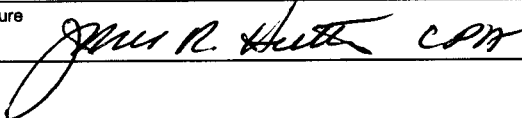
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) HUTTER & ASSOCIATES, P.C.			
Street Address 330 COMMERCE SQUARE,	City MICHIGAN CITY	State IN	ZIP 46360
Accountant Signature 		Date 9/20/05	

CHIKAMING TOWNSHIP
Berrien County, Michigan
March 31, 2005

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MANAGEMENT'S DISCUSSION and ANALYSIS

CHIKAMING TOWNSHIP

COUNTY OF BERRIEN, STATE OF MICHIGAN

14900 LAKESIDE ROAD
POST OFFICE BOX 305
LAKESIDE, MICHIGAN 49116
PHONE: 269-469-1676
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Chikaming Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Chikaming Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with the prior year financial statements, or just new to this document, it is important to know that Chikaming Township's management is presenting the analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB 34).

FINANCIAL HIGHLIGHTS:

The Township's combined net assets increased 4.3% from a year ago - increasing from \$13,249,761 to \$13,823,978. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$109,943 (2.7%) during the year, while the business-type activities experienced an increase in net assets of \$464,274 (5.1%).

OVERVIEW OF THE FINANCIAL STATEMENTS:

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Chikaming Township's basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Chikaming Township include general government, public safety, public works and the Park Commission. The business-type activities is the water and sewer systems.

The government-wide financial statements can be found on pages 3 to 5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chikaming Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories:

Governmental Funds:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current resources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the Governmental Funds and governmental activities.

Chikaming Township maintains two individual Governmental Funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Building Inspection Fund (Special Revenue Fund), which are considered major funds.

Chikaming Township adopts an annual appropriated budget for the major funds. A budgetary comparison statement has been provided for the General Fund and the Building Inspection Fund to demonstrate compliance with the budget.

The basic Governmental Fund financial statements can be found on pages 6 to 9 of this report.

Proprietary Funds:

The Township maintains two Proprietary Type Funds; the Water Fund and the Sewer Fund. These Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of Chikaming Township.

The basic Proprietary Funds can be found on pages 10 to 14 of this report.

Fiduciary Fund:

The Fiduciary Fund is used to account for resources held for the benefit of parties outside the Township. Fiduciary Funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for Fiduciary Funds is much like that used for the Proprietary Funds.

The basic Fiduciary Fund can be found on page 15 of this report.

Notes to Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

The notes to financial statements can be found on pages 16 to 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The first table presented below is a summary of the government-wide Statement of Net Assets for Chikaming Township. As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. As of March 31, 2005, the Township's net assets exceeded liabilities by \$13,823,978.

A large portion of Chikaming Township's net assets (45%) reflects its investment in capital assets (e.g., land, buildings, equipment and utility systems), less any related debt used to acquire those assets that is still outstanding. Chikaming Township uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CHIKAMING TOWNSHIP
SUMMARY OF STATEMENT OF NET ASSETS

as of March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$1,178,633	\$ 6,705,194	\$ 7,883,827
Capital assets	<u>3,148,980</u>	<u>4,466,424</u>	<u>7,615,404</u>
Total assets	<u>4,327,613</u>	<u>11,171,618</u>	<u>15,499,231</u>
Long-term liabilities outstanding	-	1,389,531	1,389,531
Other liabilities	<u>76,394</u>	<u>209,328</u>	<u>285,722</u>
Total liabilities	<u>76,394</u>	<u>1,598,859</u>	<u>1,675,253</u>
Net assets:			
Invested in capital assets, net of related debt	3,148,980	3,076,893	6,225,873
Restricted	189,780	870,523	1,060,303
Unrestricted	<u>912,459</u>	<u>5,625,343</u>	<u>6,537,802</u>
Total net assets	<u>\$4,251,219</u>	<u>\$ 9,572,759</u>	<u>\$13,823,978</u>

A portion of Chikaming Township's net assets (7.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets (\$6,537,802) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year ended March 31, 2004.

CHIKAMING TOWNSHIP
SUMMARY OF CHANGES IN NET ASSETS
for the year ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 440,733	\$1,673,346	\$ 2,114,079
General revenues:			
Property taxes	642,072	-	642,072
State-shared revenues	246,031	-	246,031
Interest and rentals	27,612	56,735	84,347
Other	<u>-</u>	<u>50,881</u>	<u>50,881</u>
Total revenues	<u>1,356,448</u>	<u>1,780,962</u>	<u>3,137,410</u>
Expenses:			
General government	307,078	-	307,078
Public safety	849,115	-	849,115
Public works	39,614	-	39,614
Park Commission	50,698	-	50,698
Public utility funds	<u>-</u>	<u>1,316,688</u>	<u>1,316,688</u>
Total expenses	<u>1,246,505</u>	<u>1,316,688</u>	<u>2,563,193</u>
Changes in net assets	109,943	464,274	574,217
Net assets, beginning of year	<u>4,141,276</u>	<u>9,108,485</u>	<u>13,249,761</u>
Net assets, end of year	<u>\$4,251,219</u>	<u>\$9,572,759</u>	<u>\$13,823,978</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund:

The focus of Chikaming Township's Governmental Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unrestricted fund balance of the General Fund was \$815,801.

The fund balance of the General Fund increased by \$84,614 during the current fiscal year. Key factors in this increase was revenues in excess of projected budgeted amounts by \$38,560, and a decrease in projected budgeted expenditures of \$33,427.

Proprietary Funds:

Chikaming Township provides the same type of information found in the government-wide financial statements, but in more detail.

Business-type activities increased Chikaming Township's net assets by \$464,274 accounting for 81% of the growth in the net assets. Charges for services were \$1,673,346 or 94% of the total business-type revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS:

Differences between the original budget and the final amended budget were relatively minor and resulted in a net increase in budgeted revenues of \$9,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets:

Chikaming Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005 amounted to \$4,466,424 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and utility systems.

Long-Term Debt:

At the end of the current fiscal year, Chikaming Township had total bonded debt outstanding of \$1,455,000. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) from the Water Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

When determining the budget for the next fiscal year 2005-2006, the following factors were considered:

1. The State of Michigan is estimating that revenue-sharing will decrease compared to the previous year.
2. Property tax revenue is estimated to increase 3% over last year.
3. The Township anticipates construction of administrative offices at the Public Safety Building in Harbert, Michigan at the estimated cost of \$550,000 and will be paid for without the need for outside financing. The current office facilities located in Lakeside, Michigan will be sold, with the proceeds used to pay for the new complex.
4. All other estimates will be based on prior year actual activity.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of Chikaming Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or additional financial information should be addressed to:

Chikaming Township
14900 Lakeside Road
P.O. Box 305
Lakeside, Michigan 49116
(269) 469-1676.

HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township (the "Township"), as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chikaming Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Chikaming Township has implemented a new financial reporting model, as required by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

The management's discussion and analysis (pages i through viii) and the supplementary information (pages 33 and 34) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hutter & Associates, P.C.

June 13, 2005

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

as of March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$1,087,233	\$ 3,661,420	\$ 4,748,653
Investments	-	200,000	200,000
Inventory, at cost	-	26,102	26,102
Receivables, net	57,072	89,373	146,445
Internal balances	27,125	-	27,125
Due from other governments	-	98,600	98,600
Prepaid expenses	7,203	375	7,578
Equity investment	-	2,629,324	2,629,324
Capital assets, net	<u>3,148,980</u>	<u>4,466,424</u>	<u>7,615,404</u>
Total assets	<u>4,327,613</u>	<u>11,171,618</u>	<u>15,499,231</u>
Liabilities:			
Accounts payable	76,301	47,612	123,913
Internal balances	93	27,032	27,125
Other payables	-	134,684	134,684
Long-term debt:			
Due within one year	-	120,000	120,000
Due in more than one year	<u>-</u>	<u>1,269,531</u>	<u>1,269,531</u>
Total liabilities	<u>76,394</u>	<u>1,598,859</u>	<u>1,675,253</u>
Net assets:			
Invested in capital assets, net of related debt	3,148,980	3,076,893	6,225,873
Restricted for:			
Debt service	-	870,523	870,523
Capital expenditures	182,577	-	182,577
Other items	7,203	-	7,203
Unrestricted	<u>912,459</u>	<u>5,625,343</u>	<u>6,537,802</u>
Total net assets	<u>\$4,251,219</u>	<u>\$ 9,572,759</u>	<u>\$13,823,978</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
for the year ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operational Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 307,078	\$ 219,779	\$ -	\$ -
Public safety	849,115	220,954	-	-
Public works	39,614	-	-	-
Park Commission	50,698	-	-	-
Total governmental activities	<u>1,246,505</u>	<u>440,733</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water	877,691	1,074,563	-	-
Sewer	438,997	598,783	-	-
Total business-type activities	<u>1,316,688</u>	<u>1,673,346</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,563,193</u>	<u>\$2,114,079</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Net
(Expense)
Revenue

\$ (87,299)
(628,161)
(39,614)
(50,698)

(805,772)

196,872
159,786

356,658

\$(449,114)

CHIKAMING TOWNSHIP
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES, CONCLUDED
for the year ended March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (805,772)</u>	<u>\$ 356,658</u>	<u>\$ (449,114)</u>
General revenues:			
Property taxes	642,072	-	642,072
State-shared revenues	246,031	-	246,031
Interest and rentals	27,612	56,735	84,347
Special items - gain from Joint Venture	<u>-</u>	<u>50,881</u>	<u>50,881</u>
Total general revenues and special items	<u>915,715</u>	<u>107,616</u>	<u>1,023,331</u>
Changes in net assets	109,943	464,274	574,217
Net assets, beginning of year	<u>4,141,276</u>	<u>9,108,485</u>	<u>13,249,761</u>
Net assets, end of year	<u><u>\$4,251,219</u></u>	<u><u>\$9,572,759</u></u>	<u><u>\$13,823,978</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CHIKAMING TOWNSHIP

GOVERNMENTAL FUNDS
BALANCE SHEET

as of March 31, 2005

ASSETS	<u>General</u>	<u>Special Revenue (Building Inspection)</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 783,475	\$121,088	\$ 904,563
Restricted cash	182,577	-	182,577
Taxes receivable	46,957	-	46,957
Due from other funds	27,125	-	27,125
Other receivables	10,115	-	10,115
Prepaid insurance	7,203	-	7,203
Total assets	<u>\$1,057,452</u>	<u>\$121,088</u>	<u>\$1,178,540</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 51,871</u>	<u>\$ 24,430</u>	<u>\$ 76,301</u>
Fund balances:			
Reserved for capital expenditures	182,577	-	182,577
Reserved for prepaid items	7,203	-	7,203
Unreserved reported in:			
General Fund	815,801	-	815,801
Special Revenue Fund	-	96,658	96,658
Total fund balances	<u>1,005,581</u>	<u>96,658</u>	<u>1,102,239</u>
Total liabilities and fund balances	<u>\$1,057,452</u>	<u>\$121,088</u>	<u>\$1,178,540</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

as of March 31, 2005

Fund balances of Governmental Funds	\$1,102,239
Amounts reported for governmental activities in the Statement of Net Assets are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Add, capital assets	3,703,377
Deduct, accumulated depreciation	<u>(554,397)</u>
Net assets of governmental activities	<u><u>\$4,251,219</u></u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the year ended March 31, 2005

	<u>General</u>	<u>Special Revenue (Building Inspection)</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 642,072	\$ -	\$ 642,072
Administrative fees	105,833	-	105,833
State-shared revenues	246,031	-	246,031
Licenses and permits	27,511	220,954	248,465
Charges for services	50,368	-	50,368
Interest	16,512	-	16,512
Rentals	11,100	-	11,100
Other	24,443	-	24,443
Total revenues	<u>1,123,870</u>	<u>220,954</u>	<u>1,344,824</u>
Expenditures:			
Legislative	8,201	-	8,201
General government	266,423	-	266,423
Public safety	680,147	181,192	861,339
Public works	39,614	-	39,614
Park Commission	44,871	-	44,871
Total expenditures	<u>1,039,256</u>	<u>181,192</u>	<u>1,220,448</u>
Excess of revenues over expenditures	84,614	39,762	124,376
Other financing sources (uses):			
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	84,614	39,762	124,376
Fund balances, beginning of year	1,005,141	56,896	1,062,037
Prior period adjustment	<u>(84,174)</u>	<u>-</u>	<u>(84,174)</u>
Fund balances, end of year	<u>\$1,005,581</u>	<u>\$ 96,658</u>	<u>\$1,102,239</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

for the year ended March 31, 2005

Net changes in fund balances of total Governmental Funds	\$124,376
Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense:	
Add, capital items purchased during year	85,017
Less, depreciation expense	<u>(99,450)</u>
Changes in net assets of governmental activities	<u>\$109,943</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS

as of March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$1,112,360	\$1,778,537	\$ 2,890,897
Investment (certificate of deposit over 90 days)	-	100,000	100,000
Inventory, at cost	26,102	-	26,102
Accounts receivable	5,695	5,531	11,226
Assessments receivable, current portion	19,700	11,800	31,500
Due from GRSD Sewer Authority, current portion	-	40,800	40,800
Prepaid rent	<u>250</u>	<u>125</u>	<u>375</u>
Total current assets	<u>1,164,107</u>	<u>1,936,793</u>	<u>3,100,900</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	770,523	-	770,523
Investment (certificate of deposit over 90 days)	100,000	-	100,000
Capital assets, net	2,852,535	1,613,889	4,466,424
Assessments receivable, net of current portion	30,423	16,224	46,647
Due from GRSD Sewer Authority, net of current portion	-	57,800	57,800
Investment in Joint Venture	<u>-</u>	<u>2,629,324</u>	<u>2,629,324</u>
Total non-current assets	<u>3,753,481</u>	<u>4,317,237</u>	<u>8,070,718</u>
Total assets	<u>\$4,917,588</u>	<u>\$6,254,030</u>	<u>\$11,171,618</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Current liabilities:			
Accounts payable	\$ 25,643	\$ 21,969	\$ 47,612
Due to General Fund	23,625	3,407	27,032
Meter deposits due customers	134,684	-	134,684
Bonds payable, current portion	120,000	-	120,000
Total current liabilities	<u>303,952</u>	<u>25,376</u>	<u>329,328</u>
Non-current liabilities:			
Bonds payable, net of current portion	1,335,000	-	1,335,000
Deferred amount on refunding	(65,469)	-	(65,469)
Total non-current liabilities	<u>1,269,531</u>	<u>-</u>	<u>1,269,531</u>
Total liabilities	<u>1,573,483</u>	<u>25,376</u>	<u>1,598,859</u>
Net assets:			
Invested in capital assets, net of related debt	1,463,004	1,613,889	3,076,893
Restricted for debt service	870,523	-	870,523
Unrestricted	1,010,578	4,614,765	5,625,343
Total net assets	<u>3,344,105</u>	<u>6,228,654</u>	<u>9,572,759</u>
Total liabilities and net assets	<u>\$4,917,588</u>	<u>\$6,254,030</u>	<u>\$11,171,618</u>

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS

for the year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 890,301	\$ 514,282	\$1,404,583
Service installation	158,100	-	158,100
Hydrant rentals	17,438	-	17,438
Miscellaneous	8,724	1,600	10,324
Total operating revenues	<u>1,074,563</u>	<u>515,882</u>	<u>1,590,445</u>
Operating expenses:			
Water purchases	248,460	-	248,460
Sewage treatment	-	257,767	257,767
Materials and supplies	54,023	-	54,023
Salaries and wages	154,744	29,035	183,779
Payroll taxes	11,455	1,455	12,910
Insurance and employee benefits	66,978	6,577	73,555
Office supplies and expense	548	137	685
Repairs and maintenance	949	2,313	3,262
Computer expense	4,791	-	4,791
Mileage and travel	6,680	23	6,703
Professional services	4,097	3,900	7,997
Booster station expense	31,464	-	31,464
Pumphouse operations	25,641	-	25,641
Rent	4,125	2,400	6,525
Utilities	1,464	1,431	2,895
Postage	2,210	2,022	4,232
Miss Dig	202	-	202
Engineering fees	24,125	1,186	25,311
Subcontractors	40,056	-	40,056
Bond paying agent charges	1,487	-	1,487
Depreciation	103,533	116,204	219,737
Miscellaneous	2,728	14,547	17,275
Total operating expenses	<u>789,760</u>	<u>438,997</u>	<u>1,228,757</u>
Operating income	<u>284,803</u>	<u>76,885</u>	<u>361,688</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS, CONCLUDED

for the year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Non-operating revenues (expenses):			
Interest and dividends			
from investments	\$ 18,713	\$ 31,578	\$ 50,291
Interest income from			
special assessments	4,202	2,242	6,444
Interest expense	(87,931)	-	(87,931)
Net gain from Joint Venture	-	50,881	50,881
Special assessments	-	82,901	82,901
	<u> </u>	<u> </u>	<u> </u>
Total non-operating			
revenues (expenses)	(65,016)	167,602	102,586
Changes in net assets	219,787	244,487	464,274
Net assets, beginning of year	<u>3,124,318</u>	<u>5,984,167</u>	<u>9,108,485</u>
Net assets, end of year	<u>\$3,344,105</u>	<u>\$6,228,654</u>	<u>\$9,572,759</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS

for the year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers	\$1,097,922	\$ 609,984	\$1,707,906
Payments to suppliers	(514,413)	(308,288)	(822,701)
Payments to employees	(154,744)	(29,035)	(183,779)
Received from other governments	-	53,740	53,740
Interest received	23,418	33,820	57,238
Interest paid	(87,931)	-	(87,931)
Net cash provided by operating activities	<u>364,252</u>	<u>360,221</u>	<u>724,473</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(42,469)	(180,948)	(223,417)
Principal paid on capital debt	(115,000)	-	(115,000)
Net cash used in capital and related financing activities	<u>(157,469)</u>	<u>(180,948)</u>	<u>(338,417)</u>
Cash flows from investing activities:			
Proceeds from sales and maturities of investments	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net increase in cash and cash equivalents	206,783	379,273	586,056
Cash and cash equivalents, beginning of year	<u>1,676,100</u>	<u>1,399,264</u>	<u>3,075,364</u>
Cash and cash equivalents, end of year	<u>\$1,882,883</u>	<u>\$1,778,537</u>	<u>\$3,661,420</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS, CONCLUDED
 for the year ended March 31, 2005

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 219,787	\$ 244,487	\$ 464,274
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	103,533	116,204	219,737
Gain from Joint Venture	-	(50,881)	(50,881)
Changes in assets and liabilities:			
Decrease (increase) in:			
Inventory, at cost	(538)	-	(538)
Accounts receivable	(3,318)	(552)	(3,870)
Assessments receivable	19,741	11,753	31,494
Interest receivable	503	-	503
Due from GRSD Sewer Authority	-	34,000	34,000
Due from Lake Township	-	19,740	19,740
Increase (decrease) in:			
Accounts payable	10,000	3,470	13,470
Escrow deposits	-	(18,000)	(18,000)
Meter deposits due customers	6,936	-	6,936
Deferred revenues	7,608	-	7,608
Net cash provided by operating activities	<u>\$ 364,252</u>	<u>\$ 360,221</u>	<u>\$ 724,473</u>

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
as of March 31, 2005

TRUST AND AGENCY FUND

Assets:

Cash and cash equivalents

\$93

Liabilities:

Due to General Fund

\$93

The accompanying notes are an integral part of these financial statements.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of Chikaming Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Chikaming Township.

A. REPORTING ENTITY.

Chikaming Township was established by the Board of Supervisors on March 4, 1856. The Township operates under an elected five member Board consisting of a supervisor, clerk, treasurer and two trustees and provides the following services: public safety (police and fire), ambulance, water, sewer, recreation, planning and zoning, and general administrative services.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the latter are excluded from the Government-wide financial statements. Major individual Governmental Funds and major Enterprise Funds are reported as separate columns in the Fund financial statements.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Funds and Fiduciary Fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property taxes are levied on December 31 and payable in two installments on February 14 and September 14. The Township bills and collects its own property taxes and also the taxes for the County, State of Michigan and two school districts. Collections of the taxes and remittance of them are accounted for in the Current Tax Collection Fund. Property tax revenues are recognized when levied to the extent that they result in current receivables.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Chikaming Township reports the following major Governmental Funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Inspection Fund (a Special Revenue Fund) accounts for the revenues and expenditures related to the activities of the Inspection Department.

Chikaming Township reports the following major Proprietary Funds:

The Water and Sewer Funds account for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the Government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to (to also) follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenue of our Proprietary Funds relate to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY.

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund financial statements.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Capital Assets - Capital assets, which include property, plant and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the Government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets at March 31, 2004 and will only report any additions prospectively in accordance with Governmental Accounting Standards Board Statement No. 34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	30 to 50 years
Building improvements	15 to 30 years
Land improvements	10 to 20 years
Water and sewer lines	25 to 40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years
Other equipment	5 to 12 years

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations - In the Government-wide financial statements and the Proprietary Fund types in the Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the Fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the Fund financial statements, Governmental Funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balances represent tentative management plans that are subject to change.

Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental Funds. All appropriations lapse at fiscal year end. The Township performs the following procedures in establishing the budgetary data reflected in the Fund financial statements:

1. The Township Board prepares a proposed operating budget for the fiscal year commencing April 1. The operating budget for the Enterprise Funds is also prepared by the Township Board. These operating budgets include proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. The budget is formally adopted at a duly posted special meeting following the public budget hearing.
4. Transfers or amendments to the budget may only be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

Excess of Expenditures over Appropriations in Major Budgeted Funds

General Fund:

There were no major budgeted funds that had expenditures exceeding appropriations.

Building Inspection (Special Revenue Fund):

Expenditures exceeded appropriations by \$23,992.

Funds sufficient to provide for the excess of expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2005

Note 3. DEPOSITS AND INVESTMENTS.

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four (4) banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 3. DEPOSITS AND INVESTMENTS, CONCLUDED.

At March 31, 2005, the Township's deposits and investments were reported in the basic financial statements by the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	\$1,087,140	\$2,790,300	\$3,484	\$3,880,924
Investments	-	200,000	-	200,000
Restricted assets	-	870,523	-	870,523
	<u>\$1,087,140</u>	<u>\$3,860,823</u>	<u>\$3,484</u>	<u>\$4,951,447</u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking, savings, money market accounts, certificates of deposit)	\$4,447,147
Investments (certificate of deposit over 90 days)	200,000
Money market funds (U.S. Treasury insured)	304,300
	<u>\$4,951,447</u>

The following is a schedule of insured and uninsured Bank deposits of the Township as of March 31, 2005:

	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>
Alliance Banking Company	\$200,000	\$1,389,038	\$1,589,038
Berrien Teachers Credit Union	100,000	-	100,000
Fifth Third Bank	300,000	1,118,811	1,418,811
LaSalle Federal Savings Bank	100,000	-	100,000
New Buffalo Savings Bank	200,000	1,239,298	1,439,298
	<u>\$900,000</u>	<u>\$3,747,147</u>	<u>\$4,647,147</u>

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 4. RECEIVABLES.

Receivables as of March 31, 2005 for the Township's individual major and non-major funds, and Fiduciary Fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Special Revenue Fund	Water and Sewer Funds	Other Funds	Total
Taxes receivable	\$46,957	\$ -	\$ -	\$ -	\$ 46,957
Accounts receivable	-	-	11,226	-	11,226
Special assessments	-	-	78,147	-	78,147
Intergovernmental	-	-	98,600	-	98,600
Interest and other	<u>10,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,115</u>
Gross receivables	57,072	-	187,973	-	245,045
Less, allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net receivables	<u>\$57,072</u>	<u>\$ -</u>	<u>\$187,973</u>	<u>\$ -</u>	<u>\$245,045</u>

Note 5. INTERFUND RECEIVABLES AND PAYABLES.

Fund	Interfund Receivables	Fund	Interfund Payables
General Fund	\$27,125	Trust and Agency Fund	\$ 93
		Water Fund	23,625
		Sewer Fund	<u>3,407</u>
	<u>\$27,125</u>		<u>\$27,125</u>

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 6. CAPITAL ASSETS.

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$1,882,301	\$ -	\$ -	\$1,882,301
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>1,882,301</u>	<u>-</u>	<u>-</u>	<u>1,882,301</u>
Capital assets being depreciated:				
Buildings	918,453	-	-	918,453
Improvements other than buildings	87,511	-	-	87,511
Machinery and equipment	<u>730,095</u>	<u>85,017</u>	<u>-</u>	<u>815,112</u>
Subtotal	<u>1,736,059</u>	<u>85,017</u>	<u>-</u>	<u>1,821,076</u>
Less, accumulated depreciation for:				
Buildings	53,064	23,550	-	76,614
Improvements other than buildings	22,804	6,198	-	29,002
Machinery and equipment	<u>379,079</u>	<u>69,702</u>	<u>-</u>	<u>448,781</u>
Subtotal	<u>454,947</u>	<u>99,450</u>	<u>-</u>	<u>554,397</u>
Net capital assets being depreciated	<u>1,281,112</u>	<u>(14,433)</u>	<u>-</u>	<u>1,266,679</u>
Governmental activities capital assets, net of depreciation	<u>\$3,163,413</u>	<u>\$(14,433)</u>	<u>\$ -</u>	<u>\$3,148,980</u>

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 6. CAPITAL ASSETS, CONCLUDED.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	-	-	-	-
Subtotal	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Capital assets being depreciated:				
Infrastructure	7,799,935	211,269	-	8,011,204
Machinery and equipment	<u>242,582</u>	<u>12,148</u>	<u>-</u>	<u>254,730</u>
Subtotal	<u>8,042,517</u>	<u>223,417</u>	<u>-</u>	<u>8,265,934</u>
Less, accumulated depreciation for:				
Infrastructure	3,377,848	209,869	-	3,587,717
Machinery and equipment	<u>212,925</u>	<u>9,868</u>	<u>-</u>	<u>222,793</u>
Subtotal	<u>3,590,773</u>	<u>219,737</u>	<u>-</u>	<u>3,810,510</u>
Net capital assets being depreciated	<u>4,451,744</u>	<u>3,680</u>	<u>-</u>	<u>4,455,424</u>
Business-Type activities capital assets, net of depreciation	<u>\$4,462,744</u>	<u>\$ 3,680</u>	<u>\$ -</u>	<u>\$4,466,424</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities:	
General Government	\$ 33,495
Public Safety	59,771
Park Commission	5,827
Building Inspection	<u>357</u>
Total Governmental Activities	<u>\$ 99,450</u>
Business-Type Activities:	
Water	\$103,533
Sewer	<u>116,204</u>
Total Business-Type Activities	<u>\$219,737</u>

Construction Commitments - The Township had no water or sewer extension projects in progress at March 31, 2005.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 7. GENERAL FUND RESTRICTED ASSETS.

The restricted assets of the General Fund represent cash and certificates of deposit to be used for the purchase of capital improvements as follows:

Chikaming Township Park and Preserve	\$ 50,000
Fire Department	109,000
Park Board	11,077
Police Department	<u>12,500</u>
	<u>\$182,577</u>

Note 8. JOINT VENTURE - PROPRIETARY FUND.

Chikaming Township participates in a Joint Venture with New Buffalo Township, Lake Charter Township and the cities of Bridgman and New Buffalo. The purpose of the Venture, called the GRSD Sewer Authority (the "Authority"), is to provide sanitary sewage treatment and collection facilities for the residences of those communities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and a sixth-at-large member appointed by the other five members.

Upon dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

Chikaming Township	28.6%
Lake Charter Township	16.6%
New Buffalo Township	16.6%
City of Bridgman	16.6%
City of New Buffalo	21.6%

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 8. JOINT VENTURE - PROPRIETARY FUND, CONCLUDED.

Chikaming Township is accounting for its investment in the Authority as a Joint Venture in accordance with GASB Statement No. 14. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2004, audited by other independent accountants, whose report dated April 29, 2005, expressed an unqualified opinion on those statements.

Total assets	\$15,849,998
Total liabilities	<u>709,825</u>
Net assets	<u>\$15,140,173</u>
Operating revenues	\$ 1,288,434
Operating expenses	<u>1,275,128</u>
Operating income	13,306
Non-operating income	<u>164,598</u>
Change in net assets	177,904
Net assets, beginning of year	<u>14,962,269</u>
Net assets, end of year	<u>\$15,140,173</u>

Complete financial statements for the GRSD Sewer Authority may be obtained at the Authority's administrative office:

GRSD Sewer Authority
10831 Kruger Road
New Buffalo, Michigan 49117

The Township's net investment and its share of the operating results of the Authority are reported in the Township's Sewer Fund. The Township's equity interest was \$2,629,324 as of December 31, 2004.

CHIKAMING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 9. LONG-TERM DEBT.

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>
BUSINESS-TYPE ACTIVITIES			
Water System Supply Revenue Refunding Bonds, Series 1994 (non-refundable bonds)	5.9%-6.5%	5/1/2014	\$ 145,000
Water System Supply Revenue Refunding Bonds, Series 2001 (refunds callable, Series 1994)	4.45%-5.5%	5/1/2014	<u>1,425,000</u>
			<u>\$1,570,000</u>

<u>Additions</u> <u>(Reductions)</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
\$ (10,000)	\$ 135,000	\$ 10,000
<u>(105,000)</u>	<u>1,320,000</u>	<u>110,000</u>
<u><u>\$(115,000)</u></u>	<u><u>\$1,455,000</u></u>	<u><u>\$120,000</u></u>

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2005

Note 9. LONG-TERM DEBT, CONCLUDED.

WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS.

On October 1, 2001, the Chikaming Township Water Department issued \$1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001. The purpose of the bonds is to finance an advance refunding of a portion of the outstanding Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, and to pay the cost of issuing the bonds.

Interest is payable semi-annually on May 1 and November 1 of each year commencing May 1, 2002. Interest rates range from 4.35% to 5.50%. The bonds are fully matured in 2014.

A deferred loss of \$95,000 was recognized as a result of this refunding, amortized over the 13 year life of the new debt. Annual amortization of \$7,308 is recorded as an addition to interest expense.

Annual debt service requirements to maturity for the above obligations are as follows:

Fiscal Year Ending March 31,	Water Fund		
	Principal	Interest	Total
2006	\$ 120,000	\$ 73,798	\$ 193,798
2007	130,000	66,835	196,835
2008	135,000	59,460	194,460
2009	145,000	51,673	196,673
2010	160,000	43,619	203,619
Later years	765,000	90,169	855,169
	<u>\$1,455,000</u>	<u>\$385,554</u>	<u>\$1,840,554</u>

Note 10. PRIOR PERIOD ADJUSTMENT - GENERAL FUND.

The fund balance at the beginning of the fiscal year of the General Fund has been reduced by \$87,177 and accounts payable was increased by \$87,177 to reflect the amount due to the Berrien County Road Commission at March 31, 2004. The accounting for the Road Commission was previously accounted for by the cash method.

CHIKAMING TOWNSHIP
NOTES TO FINANCIAL STATEMENTS, CONCLUDED
March 31, 2005

Note 11. RISK MANAGEMENT.

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12. RETIREMENT PLAN.

In 1971, the Township established the Chikaming Township Pension Plan, a defined contribution money purchase pension plan under Section 457 of the Internal Revenue Code. The following is information of the Plan:

- | | |
|-----------------------------|---|
| . Eligibility requirements: | All full time employees and elected officials age 18 with zero years of service |
| . Norman retirement age: | Age 65 |
| . Early retirement age: | Age 55 |
| . Vesting: | 100% at time of contributions |
| . Contribution limits: | Employer - 9% of compensation with \$225 minimum

Employee - 1% of compensation with \$75 minimum |
| . Benefit determination: | Accumulated amount in Plan at termination date |
| . Latest revision date: | April 1, 1997 |

All funds are invested in Manulife guaranteed accounts. Current year contributions are \$41,843 and \$7,241 for the employer and employee, respectively.

SUPPLEMENTARY INFORMATION

CHIKAMING TOWNSHIP

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

for the year ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 642,500	\$ 642,500	\$ 642,072	\$ (428)
Administrative fees	83,000	83,000	105,833	22,833
State-shared revenues	253,000	253,000	246,031	(6,969)
Licenses and permits	21,710	21,710	27,511	5,801
Charges for services	40,000	40,000	50,368	10,368
Interest income	12,000	12,000	16,512	4,512
Rentals	11,100	11,100	11,100	-
Miscellaneous income	22,000	22,000	24,443	2,443
Total revenues	<u>1,085,310</u>	<u>1,085,310</u>	<u>1,123,870</u>	<u>38,560</u>
Expenditures:				
Legislative	8,000	8,000	8,201	(201)
General government:				
Capital expenditures	40,000	-	-	-
Supervisor	74,842	74,842	69,512	5,330
Elections	4,600	6,600	6,505	95
Clerk	50,800	50,800	48,928	1,872
Treasurer	33,900	33,900	33,466	434
Board of Review	3,700	3,700	2,389	1,311
Cemetery	42,511	42,511	39,204	3,307
Other general government	67,925	67,925	66,419	1,506
Public safety:				
Police and liquor law enforcement	337,340	346,340	346,203	137
Fire protection	130,940	130,940	125,364	5,576
Planning and zoning	41,200	41,200	33,109	8,091
Ambulance	116,000	61,290	61,290	-
First responder service	-	114,710	114,181	529
Park Commission	47,425	47,425	44,871	2,554
Public works:				
Highway lighting	23,500	23,500	22,181	1,319
Road maintenance	56,000	16,000	15,612	388
County drain-at-large	3,000	3,000	1,821	1,179
Total expenditures	<u>1,081,683</u>	<u>1,072,683</u>	<u>1,039,256</u>	<u>33,427</u>
Net change in fund balance	3,627	12,627	84,614	71,987
Fund balance, beginning of year	<u>917,967</u>	<u>917,967</u>	<u>917,967</u>	<u>-</u>
Fund balance, end of year	<u>\$ 921,594</u>	<u>\$ 930,594</u>	<u>\$1,002,581</u>	<u>\$71,987</u>

CHIKAMING TOWNSHIP
BUILDING INSPECTION FUND
BUDGETARY COMPARISON SCHEDULE
for the year ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits	<u>\$157,200</u>	<u>\$157,200</u>	<u>\$220,954</u>	<u>\$63,754</u>
Expenditures:				
Public safety	<u>157,200</u>	<u>157,200</u>	<u>159,769</u>	<u>(2,569)</u>
Capital expenditures	<u>-</u>	<u>-</u>	<u>21,423</u>	<u>(21,423)</u>
Total expenditures	<u>157,200</u>	<u>157,200</u>	<u>181,192</u>	<u>(23,992)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>39,762</u>	<u>39,762</u>
Fund balance, beginning of year	<u>56,896</u>	<u>56,896</u>	<u>56,896</u>	<u>-</u>
Fund balance, end of year	<u>\$ 56,896</u>	<u>\$ 56,896</u>	<u>\$ 96,658</u>	<u>\$39,762</u>

HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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www.huttercpa.com

JAMES R. HUTTER, CPA

June 13, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of Chikaming Township, Berrien County Michigan, as of and for the year ended March 31, 2005, which collectively comprise Chikaming Township, Berrien County Michigan's basic financial statements and have issued our report thereon dated June 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chikaming Township, Berrien County Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chikaming Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements audited may occur and not be detected within a timely period by employees in the normal course of

Chikaming Township

June 13, 2005

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performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board and others within the organization and Departments of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hutter & Associates, P.C.".

Hutter & Associates, P.C.